

**Caution: DRAFT FORM**

This is an advance draft copy of a California tax form. It is subject to change and FTB approval before it is officially released.

**This draft does not reflect recent legislative changes.**

If you have any comments on this draft form, you can submit them to us on our website at [www.ftb.ca.gov/forms/drafts/index.html](http://www.ftb.ca.gov/forms/drafts/index.html).

**2008****Beneficiary's Share of Income, Deductions,  
Credits, etc.****K-1 (541)**

For calendar year 2008 or fiscal year beginning month \_\_\_\_ day \_\_\_\_ year \_\_\_\_\_, and ending month \_\_\_\_ day \_\_\_\_ year \_\_\_\_\_.

**Fiduciaries:** Complete a **separate** Schedule K-1 (541) for each beneficiary.**Beneficiaries:** Refer to the instructions for Schedule K-1 (541).

Name of estate or trust \_\_\_\_\_

Beneficiary's SSN/ITIN, California corporation no., SOS file no., or FEIN \_\_\_\_\_

Estate's or trust's FEIN \_\_\_\_\_

Beneficiary's name, address (including number and street, suite, Apt., PO Box, or PMB no.), City, and ZIP Code \_\_\_\_\_

Fiduciary's name, address (including number and street, suite, Apt., PO Box, or PMB no.), City, and ZIP Code (If there is more than one fiduciary or trustee, list all of the fiduciaries or trustees' names, addresses, and indicate if fiduciary is a nonresident. If more space is needed, add an attachment. Include the estate's or trust's FEIN at the top of each separate attachment.) \_\_\_\_\_

**A** Beneficiary's percentage of distribution at year end \_\_\_\_\_ %**B** Check here **only** if this is: **(1)** ☐ A final Schedule K-1 (541) **(2)** ☐ An amended Schedule K-1 (541)**C** What type of entity is this beneficiary? **(1)** ☐ Individual **(2)** ☐ Estate/Trust **(3)** ☐ Qualified Exempt Organization **(4)** ☐ Other \_\_\_\_\_**D** Is this beneficiary a nonresident of California? ☐ Yes ☐ No**E** Is the fiduciary a nonresident of California? ☐ Yes ☐ No

	(a) Allocable share item	(b) Amount from federal Schedule K-1 (1041)	(c) California Adjustments	(d) Total amounts using California law Combine col. (b) and col. (c)	(e) California source amounts and credits
<b>Income (Loss)</b>	<b>1</b> Interest .....			•	•
	<b>2</b> Dividends .....			•	•
	<b>3</b> Net capital gain or (loss) .....			•	•
	<b>5</b> Other portfolio and nonbusiness income .....			•	•
	<b>6</b> Ordinary business income .....			•	•
	<b>7</b> Net rental real estate income .....				
	<b>8</b> Other rental income .....				
	<b>Directly apportioned deduction</b>	<b>9 a</b> Depreciation .....			
<b>b</b> Depletion .....					
<b>c</b> Amortization .....					
<b>Final year deduction</b>	<b>11 a</b> Excess deduction on termination (Attach computation) .....				
	<b>b</b> Capital loss carryover .....				
	<b>c</b> Net operating loss (NOL) carryover for regular tax purposes .....				
	<b>d</b> NOL carryover for alternative minimum tax purposes .....				
<b>Alternative minimum tax adjustment</b>	<b>12 a</b> Adjustment for alternative minimum tax purposes ..				
	<b>b</b> Accelerated depreciation .....				
	<b>c</b> Depletion .....				
	<b>d</b> Amortization .....				
	<b>e</b> Exclusion items .....				
<b>Credits</b>	<b>13 a</b> Trust payments of estimate tax credited to beneficiary .....				
	<b>b</b> Total Withholding (equals amount on Form 592-B, if calendar year) .....				
	<b>c</b> Taxes paid to other states. Attach Schedule S, Other State Tax Credit .....				
	<b>d</b> Other credits. Attach schedule .....				
<b>Other Information</b>	<b>14 a</b> Tax-exempt interest .....				
	<b>b</b> Net investment income .....				
	<b>c</b> Gross farm and fishing income .....				
	<b>d</b> Other Information .....				

purposes if the carryover would be allowable to the estate or trust in a later tax year but for the termination.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

**Line 12a – Adjustment for alternative minimum tax purposes**

Enter your share of adjustment for AMT purposes on Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents and Part-Year Residents.

**Line 12b through Line 12d**

**Schedule P (540) filers:** Include any column (d) amount on Schedule P (540), Part I.

**Schedule P (540NR) filers:** Include column (d) amounts on Schedule P (540NR), Part I and report column (e) amounts in Part II.

**Line 12e – Exclusion items**

Include any column (d) or column (e) amount on line 2 of form FTB 3510, Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries.

**Line 13a – Trust payments of estimated tax credited to you**

Include on Form 540, line 37 or Long Form 540NR, line 45, any estimated tax payments paid by the trust on your behalf.

**Line 13b**

Total withholding is the sum of your distributive share of taxes withheld from payments to the estate or trust by another entity (allocated to all beneficiaries according to their respective estate or trust interests) plus taxes withheld-at-source on you as a domestic or foreign nonresident beneficiary. If there is a pass-through withholding credit from another entity or taxes were withheld on you by the estate or trust, the estate or trust must provide you with a completed Form 592-B, Nonresident Withholding Tax Statement. Attach Form 592-B

to the front of your California income tax return to claim the amount withheld. The amount shown on Form 592-B should be claimed on one of the following:

- Form 540, California Resident Income Tax Return, line 38.
- Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 44.
- Form 541, California Fiduciary Income Tax Return, line 31.
- Form 109, California Exempt Organization Business Income Tax Return, line 22.
- Form 100, California Corporation Franchise or Income Tax Return, line 34.
- Form 100S, California S Corporation Franchise or Income Tax Return, line 33.

Schedule K-1 (541) is not used to claim the withholding credit. If the estate or trust is not on a calendar year, the amount on line 13b may not match the amount on Form 592-B because of the difference in accounting periods.

**Line 13c – Taxes paid to other states**

You may claim a credit against your individual income tax on your share of the net income tax paid to other states by the estate or trust. Get California Schedule S, Other State Tax Credit.

**Line 13d – Other credits**

If applicable, the estate or trust will use this line, through an attached statement, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported include the following:

- Enterprise Zone (EZ), Hiring and Sales or Use Tax Credit. Get form FTB 3805Z
- Orphan Drug Credit Carryover. Get form FTB 3540
- Research Credit. Get form FTB 3523
- Residential Rental and Farm Sales Credit Carryover. Get form FTB 3540
- Commercial Solar Electric System Carryover. Get form FTB 3540
- Employer Child Care Program/Contribution Credit. Get form FTB 3501
- Local Agency Military Base Recovery Area(LAMBRA) Hiring or Sales and Use Tax Credit. Get form FTB 3807

- Enhanced Oil Recovery Credit. Get form FTB 3546
- Donated Agricultural Products Transportation Credit. Get form FTB 3547
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548
- Manufacturing Enhancement Area Hiring Credit. Get form FTB 3808
- Targeted Tax Area Hiring and Sales or Use Tax Credit. Get form FTB 3809

The passive activity limitations of IRC Section 469 may limit the amount of credits you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations.

**Line 14a – Tax-exempt interest**

Include any column (c) amount on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate.

**Line 14d – Other**

Report any column (c) amount on Schedule CA (540 or 540NR), line 17, column B or column C, whichever is appropriate.

If the estate or trust is claiming tax benefits from an EZ, LARZ, or LAMBRA, it will give you your distributive share of the business income, and business capital gains and losses included in business income, apportioned to the EZ, LARZ, or LAMBRA on this line. Get form FTB 3805Z, FTB 3806, or FTB 3807 to claim the NOL, credit, or business deduction from any of these economic development areas.

# 2008 Instructions for Schedule K-1 (541)

## Beneficiary's Share of Income, Deductions, Credits, etc.

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and to the California Revenue and Taxation Code (R&TC).

### General Information

#### Conformity

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our website at [ftb.ca.gov](http://ftb.ca.gov) and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

#### Revised Schedule K-1 (541)

The California Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line items were revised to be in a similar format with the federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. For more information, see the Schedule K-1 Federal/State Line References chart on page 3.

#### Round Cents to Dollars

Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25.

### A Purpose

The estate or trust uses Schedule K-1 (541) to report its beneficiary's share of the income, deductions, credits, etc. The estate or trust files copies of the Schedules K-1 (541) with the Form 541, California Fiduciary Income Tax Return.

### B Who Must File

A fiduciary of the estate or trust (or one of the joint fiduciaries) must file a Schedule K-1 (541) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to Form 541 filed with the Franchise Tax Board (FTB). The fiduciary also must give each beneficiary a copy of his or her respective Schedule K-1 (541) and a copy of the Beneficiary's Instructions for Schedule K-1 (541) or other prepared specific instructions. One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

### C Penalty

The estate or trust will be charged a \$50 penalty for failure to provide a copy of each beneficiary's Schedule K-1 (541), unless reasonable cause

is established for not providing it, R&TC Section 19183.

### D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). Get FTB Pub. 1098, Annual Requirements and Specifications for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, for more information.

### E Taxable Year

**Beneficiary's taxable year.** The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year in which the estate's or trust's taxable year ends.

**Prior Year.** Do not include in the beneficiary's income any amounts deducted on Form 541 for an earlier year that were credited or required to be distributed in that earlier year.

### F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income
- Character of income
- Allocation of deductions
- Allocation of credits
- Gifts and bequests

However, income of nonresidents from bank accounts, stocks, bonds, notes, and other intangible personal property is not income from sources in California unless one of the following applies 1) the property has acquired a business situs in California 2) orders with brokers have been placed so regularly as to constitute "doing business" (R&TC Section 17952).

Include on Schedule K-1 (541) column (e) only income from intangible property that is income from sources within California.

Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income, such as interest, dividends, capital gains from the sale of stocks, bonds, etc., whose source is dependent upon the residence or commercial domicile of the beneficiary.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Cal. Code Regs., tit. 18, section 17951-4(c).

### G Passive Activities

The limitations on passive activity losses and credits under IRC Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion, and amortization

deductions to beneficiaries. These deductions are called "directly allocable deductions."

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

### H Nonresident Beneficiaries

If the beneficiary of an estate or trust was a nonresident of California for the estate's or trust's entire taxable year, California will only tax the beneficiary on income that is derived from California sources. If the beneficiary of an estate or trust is a resident of California for only part of the estate's or trust's taxable year, California will tax the beneficiary's share of the estate's or trust's income or loss in accordance with FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency, and FTB Legal Ruling 2003-1. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within and outside California are to be properly allocated and reported on the Schedule K-1 (541).

Payments to nonresidents having a business or taxable situs in California are subject to withholding of taxes. For more information, get the Instructions for Form 592, Nonresident Withholding Annual Return; Form 592-A, Nonresident Withholding Remittance Statement; and Form 592-B, Nonresident Withholding Tax Statement.

#### General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence.
- Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, California does not impose a tax on qualified retirement income or pensions received by nonresidents on or after January 1, 1996.

Generally, income from a business, trade, or profession is sourced as follows:

- If the operations are conducted wholly within California, the income has a California source.
- If the operations within California are so separate and distinct from the operations outside of California that taxable income



can be separately accounted for, only the income from within California must be included in California source income.

- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in R&TC Sections 25120 through 25139.

Partnership, limited liability company, and S corporation income (loss), is apportioned or allocated in the same manner as any other business. If the estate or trust is a partner, member, or S corporation shareholder in a business entity, income sourced to California is generally included in column (e) of Schedules K-1 (565, 568, or 100S). For more information, see Cal. Code Regs., tit. 18, section 17951.4 and related tax codes.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

If California source income is being distributed to a nonresident beneficiary, see instructions regarding withholding in General Information Q, Miscellaneous Items, of the Form 541 instructions.

If the beneficiary of an estate or trust was a resident of California for the estate's or trust's entire taxable year, the beneficiary's share of the estate's or trust's income or loss for the taxable year is taxable to California.

## I Internet

You can download, view, and print California tax forms and publications from our website at [ftb.ca.gov](http://ftb.ca.gov).

## Specific Line Instructions

When completing the California Schedule K-1 (541) refer to the Federal/State Line References chart on page 3 that shows the specific line instructions between the federal Schedule K-1 (541) and the California Schedule K-1 (541).

The estate or trust is required to request and provide a proper identification number for each beneficiary. Enter the beneficiary's number on the respective Schedule K-1 (541) when the estate or trust files Form 541.

Individuals and business beneficiaries are responsible for giving the estate or trust their social security number or Individual Taxpayer Identification Number (ITIN), California corporation number, Secretary of State (SOS) file number, or federal employer identification number (FEIN) upon request.

The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certification, to request the beneficiary's identifying number.

### Columns (b), (c), (d), and (e)

In **column (b)**, the amounts entered are from your federal Schedule K-1 (1041).

In **column (c)**, the amounts entered are the adjustments resulting from differences between California and federal law for each specific line item.

In **column (d)**, the amounts entered are the result of combining column (b) and column (c).

In **column (e)**, the amounts entered are used to report California source income and credits.

**Line 1 and Line 2** – Enter in column (b), the amounts from federal Schedule K-1 (1041), and in column (c) any adjustments resulting from differences between California and federal law for each specific line item.

**Line 3** – Enter the combined amount from federal Schedule K-1 (1041), line 3 and line 4a. Gains or losses from the complete or partial disposition of a rental real estate or trade or business activity that is a passive activity must be shown on an attachment to Schedule K-1 (541).

**Line 5** – Enter on line 5 the beneficiary's share of annuities, royalties, or any other income (before directly allocable deductions) that is not subject to any passive activity loss limitation rules at the beneficiary level.

**Line 6 through Line 8** – Enter the beneficiary's share of trade or business, rental real estate, and other rental income, minus allocable deductions (other than directly apportionable deductions). To assist the beneficiary in figuring any applicable passive activity loss limitations, also attach a separate schedule showing the beneficiary's share of income derived from each trade or business, rental real estate, and other rental activity.

**Line 9a through line 9c** – Enter the beneficiary's share of the depreciation and depletion deductions directly apportioned to each activity reported on line 5 through line 8. Itemize the beneficiary's share of the amortization deductions directly apportioned to each activity on line 5 through line 8. For more information, see the federal instructions for Schedule K-1 (1041).

**Line 11a through Line 11d** – If this is the final return, enter on line 11 the beneficiary's share of any of the following:

- Excess deductions on termination (follow the instructions for federal Form 1041)
- Capital loss carryover
- Unused net operating loss (NOL) carryover for both regular and alternative minimum tax, if the NOL carryover would be allowed to the estate or trust in a later year but for termination

**Note:** No deduction is allowed for estate taxes.

### Net Operating Loss (NOL)

For taxable years beginning on or after January 1, 2004, 100% of the NOL may be carried forward. For more information, get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.

**Line 12a** – Enter the beneficiaries share of the adjustment for minimum tax purposes. To figure the adjustment, subtract the beneficiary's share of the income distribution deduction figured on Form 541, Schedule B, line 15, from the beneficiary's share of the income distribution deduction on an alternative minimum tax basis figured on Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, Part II, line 15. The difference is the beneficiary's share of the adjustment for minimum tax purposes.

An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The fiduciaries for the estate or trust must recalculate Schedule P (541), by leaving Part I, line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated amount on Schedule P (541), Part I, line 10, must be entered on Schedule K-1 (541), line 12a, column (d).

**Line 12b through Line 12e** – Enter the amounts from Schedule P (541), line 4. Get the instructions for federal Schedule K-1 (1041) for more information.

**Line 13 and Line 14** – Enter the beneficiary's trust payments, withholding, taxes paid to other states, and/or other credits. Attach a separate sheet for each item reported on line 13a-d and line 14a showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 13a through line 14a.

**Line 13a** – Enter the beneficiary's share of estimated payment credited.

Form 541-T, Allocation of Estimated Tax Payments to Beneficiaries, **must be** submitted in order for the beneficiary to receive credit for the payments.

**Line 13b** – If taxes were withheld by the fiduciary, or there is a pass-through withholding credit from another entity, the fiduciary must provide each affected beneficiary (including California residents), a completed Form 592-B. The fiduciary and beneficiaries must attach Form 592-B to the front of their California tax return to claim the withholding amounts. Schedule K-1 (541) may not be used to claim the withholding credit.

**Line 13c** – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Attach a copy of the return filed with the other state, evidence of payment, and a copy of Schedule S to verify the amount of tax paid.

**Line 13d** – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

**Line 14a** – Enter tax-exempt interest received by the estate or trust (including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company).

**Line 14d** – Enter any other item that is not included:

The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

If the estate or trust is claiming tax benefits from an Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or loss apportioned to the EZ, LARZ, LAMBRA, MEA, or TTA on this line.

### SCHEDULE K-1 FEDERAL/STATE LINE REFERENCES

California Schedule K-1 (541) was modified to better assist taxpayers to transfer amounts from the federal Schedule K-1 (1041) to the California Schedule K-1 (541). The modifications consist of reordering the line items to be in similar format to the federal Schedule K-1 (1041). The new reference chart shown below will assist the taxpayer in transferring the amounts from one schedule to the other. The chart cross-references the boxes on the federal Schedule K-1 (1041) to the appropriate line items on the California Schedule K-1 (541).

Federal Schedule K-1 (1041)			CA Schedule K-1 (541)	
Box	Code	Items	Line	Items
<b>1</b>		Interest income	<b>1</b>	Interest
<b>2a</b>		Ordinary dividends	<b>2</b>	Dividends (ordinary and qualified)
<b>2b</b>		Qualified dividends		<i>Not applicable</i>
<b>3</b>		Net short-term capital gain	<b>3</b>	Net capital gain or (loss)
<b>4a</b>		Net long-term capital gain		<i>Not applicable</i>
<b>4b</b>		28% rate gain		<i>Not applicable</i>
<b>4c</b>		Unrecapture Section 1250 gain		<i>Not applicable</i>
<b>5</b>		Other portfolio and nonbusiness income	<b>5</b>	Other portfolio and non business income
<b>6</b>		Ordinary business income	<b>6</b>	Ordinary business income
<b>7</b>		Net rental real estate income	<b>7</b>	Net rental real estate income
<b>8</b>		Other rental income	<b>8</b>	Other rental income
<b>9</b>	<b>A</b>	Depreciation	<b>9a</b>	Depreciation
	<b>B</b>	Depletion	<b>9b</b>	Depletion
	<b>C</b>	Amortization	<b>9c</b>	Amortization
<b>10</b>		Estate tax deduction	<b>10</b>	<i>Not applicable</i>
<b>11</b>	<b>A</b>	Excess deductions	<b>11a</b>	Excess deduction on termination (Attach computation)
	<b>B</b>	Short-term capital loss carryover	<b>11b</b>	Capital loss carryover
	<b>C</b>	Long-term capital loss carryover		<i>Not applicable</i>
	<b>D</b>	NOL carryover – regular tax	<b>11c</b>	NOL carryover – regular tax
	<b>E</b>	NOL carryover – minimum tax	<b>11d</b>	NOL carryover for alternative minimum tax purposes
<b>12</b>	<b>A</b>	Adjustment for minimum tax purposes	<b>12a</b>	Adjustment for alternative minimum tax purposes
<b>12</b>	<b>G</b>	Accelerated depreciation	<b>12b</b>	Accelerated depreciation
<b>12</b>	<b>H</b>	Depletion	<b>12c</b>	Depletion
<b>12</b>	<b>I</b>	Amortization	<b>12d</b>	Amortization
<b>12</b>	<b>J</b>	Exclusion items	<b>12e</b>	Exclusion items
<b>12</b>	<b>B-F</b>	AMT adjustment		<i>Not applicable</i>
<b>13</b>	<b>A</b>	Credit for estimated taxes	<b>13a</b>	Trusts payments of estimated tax credited to you
		<i>Not applicable</i>	<b>13b</b>	Total withholding (equals amount on Form 592-B if calendar year)
		<i>Not applicable</i>	<b>13c</b>	Taxes paid to other states. Attach Schedule S, Other State Tax Credit.
	<b>B-T</b>	Federal credits	<b>13d</b>	Other California credits. (Attach schedule)
				<i>Not applicable</i>
<b>14</b>	<b>A</b>	Tax-exempt interest	<b>14a</b>	Tax-exempted interest
<b>14</b>	<b>E</b>	Net investment income	<b>14b</b>	Net investment income
<b>14</b>	<b>F</b>	Gross farm and fishing income	<b>14c</b>	Gross farm and fishing income
<b>14</b>	<b>H</b>	Other information	<b>14d</b>	Other _____
<b>14</b>	<b>B</b>	Foreign taxes		<i>Not applicable</i>
<b>14</b>	<b>C</b>	Qualified production activities income		<i>Not applicable</i>
<b>14</b>	<b>D</b>	Form W-2 wages		<i>Not applicable</i>
<b>14</b>	<b>G</b>	Foreign trading gross receipts (IRC 942(a))		<i>Not applicable</i>

# Beneficiary's Instructions for Schedule K-1 (541)

## General Information

### Purpose

The estate or trust uses Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., to report your share of the estate's or trust's income, deductions, credits, etc. Your name, address, and tax identification number, as well as the estate's or trust's name, address, and tax identification number, should be entered on the Schedule K-1 (541). Keep Schedule K-1 (541) for your records. Do **not** file it with your tax return. The estate or trust has filed a copy with the Franchise Tax Board (FTB).

You are subject to tax on your share of the estate's or trust's income, and you must include your share on your individual tax return.

Schedule K-1 (541), column (b) shows amounts from your federal Schedule K-1 (1041), Beneficiary's Share of Income, Deductions, Credits, etc. Column (c) shows the difference between federal and California amounts. Column (d) shows your total amounts using California law by combining column (b) and column (c). Column (e) shows your income and loss from California sources. Generally, the amount of loss and deduction you may claim on your return is limited to your share of the estate or trust and the amount for which you are considered at-risk. If you have losses, deductions, or credits from a passive activity, you must also apply the passive activity rules. It is the beneficiary's responsibility to consider and apply any applicable limitations.

California law is generally the same as federal law with regard to income, the character of income, allocation of deductions, gifts, and bequests, and past years. Follow the instructions for federal Schedule K-1 (1041) for these items.

Generally, you must report items shown on your Schedule K-1 (541) (and any attached schedules) the same way that the estate or trust treated the items on its return. If the treatment on your original or amended return is inconsistent with the estate's or trust's treatment, or if the estate or trust was required to but has not filed a return, you must attach a statement identifying the inconsistency. Beneficiaries may be liable for negligence penalties and penalties relating to mathematical errors if they cannot demonstrate that their treatment is consistent with the estate or trust.

Beneficiaries of estates and trusts include in their gross income their distributive share of the fiduciary's income distribution deduction for the taxable year. Amounts that are distributed by an estate or trust and that are not deductible in computing the entity's taxable income (i.e., distributions of corpus or tax-exempt income) usually are not taxable to the beneficiary.

Resident beneficiaries are taxed on income distributed or distributable from all sources. Nonresident beneficiaries are taxed only on income distributed or distributable that is derived from sources within California (R&TC Section 17953).

For purposes of this section, the nonresident beneficiary is deemed the owner of intangible personal property from which the income of the estate or trust is derived. Therefore, such income is taxed at the beneficiary's domicile.

The estate or trust will attach a schedule of intangible income, such as income from stocks, bonds, bank accounts, and notes, whose source is dependent upon the residence or commercial domicile of the taxpayer. The income on this schedule is not income from California sources for nonresidents but is income sourced at the beneficiary's state of residence or commercial domicile.

### Specific Line Instructions

If you are a nonresident beneficiary, the California source amounts in column (e) will help you identify the California source adjusted gross income that must be reported on your Schedule CA (540NR), column E.

Part-year residents may be required to calculate their IRC Section 652 or 662 income in a manner that produces a different result than the amounts shown in column (e) of this form. For more information, see FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

#### Line 3 through Line 12

You must report the amounts in column (c), adjustments, that are from **nonpassive** activities on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d), total amounts using California law, that are from **passive** activities on the appropriate California form or schedule. Get form FTB 3801, Passive Activity Loss Limitations, to transfer those amounts and to figure the amount of your passive activity loss limitation. Carry the passive activity amounts to the California form or schedule to figure your California adjustment amount. Enter this adjustment amount on the corresponding line on Schedule CA (540 or 540NR) only if there is a federal/California difference.

If there is no California form or schedule on which to compute your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheets in the instructions for form FTB 3801. Enter the total of your adjustments from these worksheets from all passive activities on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate.

#### Line 1 – Interest

Include on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate, any amount shown on line 1, column (c).

#### Line 2 – Dividends

Include on Schedule CA (540 or 540NR), line 9(a), column B or column C, whichever is appropriate, any amount shown on line 2, column (c).

#### Line 3 – Net capital gain or (loss)

Include on Schedule D (540), California Capital Gain or Loss Adjustment, line 2, any amount shown on line 3, column (d).

If there is an attachment to Schedule K-1 (541) that reports the disposition of a passive activity, get form FTB 3801 for more information.

#### Line 5 – Other portfolio and nonbusiness income

Include on Schedule CA (540 or 540NR), on line 17, in column B or column C, any amount shown on line 5, column (c).

#### Line 6 through Line 8 – Ordinary business, net rental real estate, and other rental income

Read the instructions below before including any amounts shown on Schedule K-1 (541), line 6, on Schedule CA (540 or 540NR), line 17.

**Passive Activities:** The deductions on line 6 may be subject to the passive loss limitation rules. In general, losses from passive activities are allowed only to the extent of income from passive activities.

If your passive activity deductions exceed your passive activity income, or you have passive activity losses from any other source, you must use form FTB 3801 to figure your losses allowed from all passive activities.

#### Line 9a through Line 9c – Depreciation, depletion, and amortization

Any directly apportionable deduction, such as depreciation, is treated by the beneficiary as having been incurred in the same activity as incurred by the estate or trust. The estate or trust should provide you with a schedule showing your share of directly apportionable deductions derived from each activity reported on line 5 through line 8.

#### Line 11a – Excess deductions on termination

Include any adjustment on Schedule CA (540 or 540NR), line 41 as an addition or subtraction, whichever is appropriate.

#### Line 11b – Capital loss carryover

Include any capital loss carryovers from the final year of the estate or trust on Schedule D (Form 540), line 6, column (d).

#### Line 11c and Line 11d – Net Operating Loss (NOL) Carryover

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused NOL (and any AMT NOL) carryover for regular and AMT